



# PBC

## PERFORMANCE-BASED CONTRACTING



In April 2003, the Army introduced a new Cleanup Strategy and accompanying plan that combined restoration and compliance-related cleanup to create consistency and accountability across the Army's cleanup program. One of the nine main objectives of the strategy is to support the development and use of cost-effective cleanup approaches and technologies to improve program efficiency.

To achieve this objective, the Army identified Performance-Based Contracting (PBC) as a preferred business strategy that incorporates the use of proven commercial sector practices and incentives in the environmental cleanup process. The Army believes that PBC can significantly improve overall project performance by curtailing schedule and cost overruns and get more dollars on the ground to do the actual cleanup.

The Army's commitment to using PBC supports the President's management agenda and is part of a larger government-wide initiative to include the Federal Acquisition Streamlining Act (of 1994) and the Government Performance and Results Act (of 1993).

### How It Works

PBC is a contracting approach in which performance is judged against the desired outcome rather than the level of effort performed, generally referred to as cost plus fixed fee, or time and materials contracts.

### PBC Is DESIGNED To:

- Ensure that contractors are provided flexibility to determine and implement effective and efficient approaches to meet the government's performance objective
- Ensure that appropriate performance quality levels are achieved
- Guarantee that payments are made to the contractors only for services that meet the agreed upon levels of quality and performance

### For more information

US Army Environmental Center  
Public Affairs Office  
410-436-2556, fax 410-436-1693  
e-mail: [usaecpao@aec.apgea.army.mil](mailto:usaecpao@aec.apgea.army.mil)  
<http://aec.army.mil>

There are several benefits to using PBC for environmental cleanup. With PBC, there is a clear understanding of the scope, schedule, and cost of work being performed. This understanding benefits all involved, including the Army, its contractors, the regulators, and the public. The Army has found that awarding performance-based contracts for remediation services is a very effective means of accomplishing work. For example, from the headquarters perspective, developing a fixed price scope of work requires a clear understanding of the remaining scope, thereby allowing for development of an independent government cost estimate to complete the work that is more reliable than most previous cost-to-complete estimates. For the installations, the benefit is seen in reduced time spent developing additional scopes of work, requesting additional funding for specific projects, and working with or overseeing multiple contractors.

The PBC approach can be used to promote innovative cleanup technologies and strategies that expedite completion of environmental cleanup, while reducing funding uncertainties and lowering overall liability. PBC provides financial incentives for cleanup contractors to develop and implement an effective and expedited approach to achieve environmental remediation goals. PBC also provides contractors more flexibility in exercising approaches that are cost effective to both the contractor and the government; a contract guarantee (when required) limits the risk that the government may face through change orders and cost overruns when unknown conditions are encountered during remediation.



#### **MECHANISMS AT ARMY ACTIVE SITES MUST:**

- Use fixed-price contracts
- Ensure that at least three qualified vendors compete for an award
- Define performance objectives, milestones, and standards
- Use incentives or (environmental) insurance to enhance performance
- Provide flexibility and ensure accountability of results



  
For more information  
on Performance-Based Contracting, go to  
<http://aec.army.mil/usaec/cleanup/pbc00.html>